Community engagement of petroleum company: Getting the right fit in Sudan

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Community engagement of petroleum company: getting the right fit in Sudan

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Abstract: This case concerns the community engagement practice of JOC Petroleum (JOC), a company that has been operating in the south of Sudan since year 2001. In 2011, the newly formed Republic of South Sudan declared ‘Development and Equitable Sharing of Wealth Guiding Principles’ for all its oil and gas investors, through which community development projects are now considered as a legal requirement. Such development has prompted JOC to review its community engagement practices, particularly in terms of its compliance with the present regulatory and societal expectations. This case concerns transformation in community engagement practices as a response towards a regulatory change in order to sustain the organisation’s legitimacy.

Keywords: stakeholder management; community development; sustainability; corporate social responsibility; business ethics; legitimacy; Sudan.


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1 Introduction

Mr. Nazeem Al-Ramdhan (name is changed) is the Community Development Manager of JOC Petroleum (JOC), a petroleum company that has been operating in Sudan since 2001. JOC is a (50:50) joint operating company between Sudapet, a national governmental petroleum company and Petrosedan, an Asian multinational oil company. What makes JOC different from other oil companies in Sudan are that the company and blocks have different shareholders, i.e., the company is a consortium between two companies, but operating the blocks on behalf of different partners or shareholders. Currently, the company is operating in two blocks; one in the south of Sudan (now the Republic of South Sudan) and the other block is in the north of Sudan. JOC is engaged in exploration, development, and the production of hydrocarbon resources in the said blocks.

This study concentrates on the activities of the company concerning community engagement practices in the block that is located in the south of Sudan. There are three reasons behind this concentration; first, because currently all the crude oil of the company is being extracted from the mentioned block. Second, the whole area of this block witnessed a civil war for more than two decades, so this is a post conflict area, with very poor infrastructure. Third, because of the environmental sensitivity of the wetland and swamps that almost covers the concession area of this block (EIA Block 5B, 2008).

The secession of south Sudan from Sudan in 2011 and the formation of the new government known as the Republic of South Sudan have brought various changes to the regulatory landscape for the oil and gas companies operating in the South of Sudan. In
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2011, the ‘Development and Equitable Sharing of Wealth Guiding Principles’ was declared under the Transitional Constitution of the Republic of South Sudan 2011. As a result, community development projects are now no longer voluntary company initiatives. It is now mandatory for all oil and gas companies operating in the south of Sudan to conduct corporate community engagement with a high level of transparency and accountability.

2 JOC corporate social responsibility

Corporate social responsibility is not a new agenda for JOC. Its company’s mission “to become an effective petroleum operator with innovative technology and a proficient workforce, while contributing to the development of the nation” clearly spells out JOCs strong interest towards improving the life quality of society at large including the local community. There is a dedicated department in JOC known as the Community Development Department (CDD), which is specifically entrusted with the task of developing projects for communities living in JOCs oil extraction areas. The CDD in JOC is the first separate department concerning the community development issues in oil companies working in Sudan; other oil companies have and do community development programmes but within the activities of other departments. In JOC, the CDD is directly under the Vice-President’s office, which might show the importance of the role being played by this department in the operations of the company. In addition, the manager of this department is sitting on the Management Committee (MC), one of the most important boards inside the company that is responsible for setting the strategic plans and policies of the company.

The CDD operates with seven specific strategic goals as stated below:

- to contribute to the improvement of the quality of life and socio economic status of the host communities
- to respond appropriately in the event of crisis
- to support people with special needs
- to advocate the culture of peace
- to mainstream gender in community development activities with emphasis on women empowerment programmes
- to create partnerships with government bodies and NGOs in development activities
- to promote community awareness towards different development aspects and develop their capacities and skills.

All CDD projects, as mentioned by one of the CDD executives, “are not carried out merely as philanthropy or charity but are done in the context of being responsible towards the community”. Therefore, as mentioned in its mission statement, JOC believed that it has an obligation to give back to the community in which it operates. This point was further explained by the GM of Planning, Finance, and ICT of the company as:

“Certainly, as a responsible oil and gas company operating in Sudan and also I believe in any other country where we would operate, I believe there is an obligation. And, also, not just an obligation, also a wanting, a desire from this
company to give back to the nation not just in terms of dollars profitability but also in community service, in social responsibility.”

However, in some cases, JOC decided to undertake community development projects just to prevent local people from stopping its operations rather than showing a real commitment towards the development of the local community, as mentioned by the Manager of the Planning Department:

“We do planning and budgeting for community development projects in our concession areas, for instance, constructing roads, schools, hospitals and so on. Usually these projects are done by the company to ease the process of oil production and to prevent local people from stopping our operations.”

The CDD works closely with the State Government and runs projects under three designated sectors, i.e., service provision, infrastructure development, and community empowerment. The CDD, throughout its years of operation, has attracted considerable recognition for JOC including the prestigious Petrosedan Group Health, Safety, Environment and Sustainable Development Award and Best Major Project Award in Management Development Project. JOC claims that it received such awards in respect of the good health and safety services offered by the company for the staff, contractors, and the community at large.

3 JOC community development projects

Mr. Nazeem Al-Ramdhan noticed that JOC’s current community development activities are centred on providing better infrastructure facilities for the local community. However, the CDD faced many problems and challenges in carrying out its community development activities, such as the high expectations of the local people, given the fact that this area witnessed a civil war for more than two decades, as mentioned by the Community Development Field Executive:

“I think the main challenge is the high expectations of the local people. Actually we do our best to meet their needs, but really we feel we do nothing. You see this post-conflict area, with very poor infrastructure. Thus, more efforts and sufficient budget are needed to do community development projects in this area.”

The lack of awareness and the situation of insecurity are among other problems facing the CDD, which might delay or stop the company from meeting its social responsibility, as stated by the Base Camp Production Field Manager:

“Actually, we are dealing with people who have no education. So, normally, it takes a lot of time and effort to get them to understand the projects that we are going to do. In addition, we have a problem of insecurity facing us, which may stop our activities in some areas.”

Although the CDD does host community empowerment projects, the scope is limited to areas of training that have been suggested by the government. The majority of the CDD projects focus on assisting the government in developing the oil extraction areas, and are one-off in nature. Recognising the above mentioned newly announced regulation, Mr. Nazeem Al-Ramdhan speculated that there will be some impact on JOC’s present corporate community engagement practices. He called for a meeting with his community development team to discuss the future of JOC’s community engagement practices,
particularly in response to the regulatory changes. The team members were assigned to evaluate JOCs present community engagement practices. The meeting discussed several questions that need to be addressed by Mr. Nazeem Al-Ramdhan and his team. Should JOC conduct its community engagement practices like before or are changes needed? Are the current practices able to fulfill the needs of its beneficiaries? Are the involvement of the local community justifiably considered during the engagement? What is the next step that could be undertaken by Mr. Nasser Ali and his team?

Figure 1  JOC community development areas (see online version for colours)

<table>
<thead>
<tr>
<th>Service Provision</th>
<th>Infrastructure Development</th>
<th>Community Empowerment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water supply</td>
<td>Hospitals</td>
<td>Training</td>
</tr>
<tr>
<td>Health</td>
<td>Schools</td>
<td>Capacity building</td>
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<td>Education</td>
<td>Roads</td>
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<td></td>
<td>Bridges</td>
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<td></td>
<td>Docks</td>
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4  JOC community engagement – a synopsis

Almost the whole concession area of JOC in South Sudan is located in the Unity State. The population of the Unity State is close to 600,000, comprising different indigenous tribes of nine clans from the Nilotic ethnic group. Traditionally, the people of the Unity State depend on agricultural production, cattle keeping (goats/sheep), fishing, hunting and local trading (RSSDDRC, R.O.S.S.D., 2012). Similar to many post conflict areas, formerly there was very little access to formal education, healthcare and infrastructure in this state. Nowadays, the people of the Unity State are hired by the various oil companies operating in this state including JOC. In JOC, the local people are mostly employed as unskilled labour while a few are hired as professionals, serving in diverse aspects, such as medicine, engineering, and management. The Base Camp Production Field Manager, who is also a native of the local community, explained that the local people have now received some benefits from the company; they have got high salaries and a better life compared to the state of war and before the coming of the oil companies.

At present, JOC is engaged in the exploration, development, and production of hydrocarbon resources in the above-mentioned blocks. Accordingly, the beneficiaries of JOCs community engagement projects are the community of those blocks. Given its limited resources, it is a challenge for JOC to manage the expectation of this heterogeneous community who expects drastic transformation for development, as voiced by one of the CDD team members:

“...the high expectation is unrealistic for our budget and unrealistic for our role as an operating company.”

Since JOCs oil production is lower compared to that of other oil companies working in Sudan, the ability of the company to do more community projects is dependent on the
portion of profit generated. If the company made a larger profit, then they can do more for the local communities, as illustrated by the GM of Planning, Finance, and ICT:

“... we have the pleasure to do more corporate social responsibility activities, but we’re also managing our role as managing the profitability. So I think when we have a bigger profit portion then maybe we can think more and do more.”

4.1 Community vs. stakeholder

Generally, the discourse of engagement for community development projects in JOC varies with the nature of each project. As a rule of thumb, the community is engaged in at least one phase of each project life cycle. Here, parallel to the perspective of JOC, the word community mainly refers to its stakeholders, particularly the authorities of the country, state and community. JOC believes that these authorities are parties that would have the best view on the issues and needs of the local community. Thus, all JOCs community projects are initiated and approved by the above-mentioned authorities. A project will only go forward if it is needed by the community as suggested by the authorities. The local community will then be informed about what has been decided from the consensus between the authorities and JOC. Likewise, the involvement of the local community representatives is minimal in terms of negotiation and consultation, except for a few tribal chiefs who are occasionally engaged during the stakeholder dialogue. It is the State Government via the county commissioner who would play a domineering role in determining JOCs community projects.

4.2 Stakeholder dialogue

The embracement of community engagement compels sincere consciousness and genuine commitment. Ideally, community engagement is about the “need for those within a community to plan to think clearly about the communities they are working with, to understand their history, culture and nature of their current existing organization and networks, in addition to their scope of local needs and the issues that arise and how the community encounters them, strengths of the community that may be built on, and the nature of existing dialogue and participation in the community” (Hashagen, 2002).

In JOC, community engagement requires the involvement of the stakeholders in the planning, implementation and evaluation phases of community project and activity. The stakeholders are engaged in at least one phase of the project cycle, mostly at the planning and implementation stage. The community project development in JOC starts with annual budget allocation for each designated project. Budgets are diverted to the preferred need according to the request of the abovementioned authorities. These authorised elite are used as a focal point in determining the type of community project that JOC will be embarking on for residence of the blocks. Their influence and final say are an important aspect in relation to JOCs community engagement strategy. There is an impression among some local communities in this area that most community development projects established by oil companies are either a response to particular incidents or part of a strategy to build good relationships with local political authorities, rather than to directly benefit the local people (ECOS, 2010; Fallet, 2010).

The issues that are brought up by the authorities tend to be limited and few, confined to infrastructure provisions and social responsibility of the government. As a consequence, JOCs community projects are usually about fulfilling the governmental role
in providing development for the blocks’ residence. The voices of the NGOs or development experts representing the local community are unlikely to be heard during the stakeholder dialogue sessions. In general, the relationship between the NGOs and petroleum companies working in Sudan has not been easy, particularly during the civil war in the south of the country. The NGOs accused the petroleum companies of supporting the war, as well as dislocating the local people from their native homes during the field development stage. Therefore, for a long time, the policy adopted by all petroleum companies (including JOC) stated no direct engagement with the NGOs except through the government. However, the management of the company recognised the importance of direct contact with the NGOs; given the accusations raised by these organisations against the company, as stated by the President of JOC:

“…in fact, our previous approach in the last few years is that we did not have any direct engagement with these types of organization. That was the policy adopted before. But since last year, after I arrived, we discuss with our top management that if we continue this approach, accusations will not stop, they will keep on coming and making accusations using the Internet, YouTube, and so on. So it is better to stay in contact with them.”

Hence, the stakeholder dialogue sessions do not exist as bridges for JOC to get a deeper insight as to what the local community has to say regarding its community projects. The limited engagement of oil companies with the local community is also stressed by a senior staff member at the General Directorate of Environment and Safety (a governmental regulatory agency under the Ministry of Petroleum, acting as the middle person between the Ministry of Petroleum and the oil companies) as:

“We are not so much engaged now with the local communities, but we are trying to establish a link. These are the beneficiaries. They should benefit from these activities, and they are supposed to be made aware of things, especially in the oil-producing areas.”

Obviously, the restricted participation of representatives from the local community prevent the presence of new voices that would raise new issues on behalf of the community. In keeping with the highly bureaucratic political environment of Sudan, JOC primarily only listens to the calling of the authorities who may have the ability to pose a significant threat towards their operations. During the planning stage of each community project, JOC will coordinate with the country, state and local authorities through a process of multiparty dialogue in order to select the projects that will be implemented. Each project will then need to be approved by the authorities. In the implementation phase, the involvement of the local community is highly visible, usually as construction workers. Additionally, JOC does have some participatory contracts with a few national NGOs for some of its projects. These NGOs are normally hired in the short term as subcontractors that provide training, for example basic healthcare training for the local community. The local community is also noticeably involved in JOCs compensation process. Negotiations on compensation for any developments by JOC will be done via the compensation committee, which comprises both representatives from JOC and the local community. The compensation committee is responsible for the decisions regarding the amount and disbursement of compensation to the local community for any property damage caused by JOCs operations.
4.3 Evaluation of outcomes

Evaluations for all JOCs community projects are done through a baseline survey where assessments before and after are carried out to see whether there are changes over time due to the projects. For instance, a clinic project that aims to improve the health status of the community. Therefore, health status for the targeted community is measured before and after the clinic operates. Included among the examples of the measurements used for evaluation are service delivery, such as number of patients treated and number of immunisations given.

Apart from the baseline surveys, which are internally evaluated in nature, JOC does not conduct any voluntary reporting or external auditing method with regards to its community engagement projects. There is no public access for any information regarding the outcome from stakeholder dialogue. The degree of transparency is modest with no clear evidence of accountability, especially on the contribution of JOC and its specific community engagement benefits for the local residence. For instance, the environmental impact assessment (EIA) reports prepared by oil companies and approved by governmental authorities were not made available to the public (Ahmed and Elturabi, 2011; Ali, 2002, 2007). The public could get access to the report through the government, as mentioned by the Manager of Corporate Affairs and CDD:

“We don’t give reports directly to the public. The public will get it through the Government, because the Government is acting as an advisor for the community development. So, it is they who receive the reports from us and give them to the public or to the community.”

The problem concerning the difficulty to access the information is not only confined to the public, but also the people who are required by the company to conduct the EIA complained about the lack of transparency, as revealed by an EIA expert:

“Even we as the team of EIA, who are delegated by the companies themselves, suffer from a lack of transparency, or, sometimes, they might direct you to see the positive aspects rather than the negative ones.”

Thus, at present, there is no systematic learning or generation of ideas being made based on existing or prior community projects.

5 The way forward – a transformation?

Mr. Nazeem Al-Ramdhan felt that his department needed to plan or refine the changes that could be done for JOCs community engagement practices. He believed a critical evaluation on JOCs present community engagement practices would initiate a useful assessment and generation of ideas from his team. Two central issues emerged from this case. First, does the present community engagement practice of JOC comply with the present regulatory and societal expectations? Second, what are the improvements that need to be done?

Accordingly, Mr. Nazeem Al-Ramdhan suggested that his team examine the relevancy of JOC’s current corporate community engagement practices. In order to arrive at a conclusion, they need to investigate several aspects of JOC’s community engagement practices. First, he pushed for a debate regarding JOCs present conceptualisation of community as stakeholders. Next, he requested for the team to review JOCs stakeholder
dialogue process, specifically in terms of its engagement with the community. Furthermore, Mr. Nazeem Al-Ramdhan asked for his team to identify JOCs type of community engagement based on the public participation. Here, the level of engagement (from passive to self-empowered community) and longevity (from non-ongoing to ongoing) may be identified. Another important aspect that Mr. Nazeem Al-Ramdhan suggested his team look at concerns the existence of the participatory elements in JOCs participatory process. Additionally, he also encouraged his team members to suggest other approaches in order to analyse JOCs community engagement practices.

It is pertinent for JOC to respond appropriately to the political and regulatory change in its operation areas. JOC needs to seek congruence between their economic activities and what is expected by the society in order to maintain organisational legitimacy. Thus, a comprehensive examination of JOCs community engagement practices is vital in ensuring JOCs sustainability in Sudan.

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